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Hungary

Fresh Deciduous Fruit

Annual Report

2007

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Report Highlights:

The early May frosts halved Hungary's apple crop from 537,000 MT in 2006 to 251,000 MT estimated for 2007. Prices of both table and industrial apples doubled, hitting apple juice concentrate producers particularly hard. Due to frost damages and drought, market supply is tight in neighboring countries as well. The Government of Hungary has tried to compensate producers for losses and to support the maintenance of orchards until next season. Apple juice concentrate exports, destined to the US market as well, are going to be only a third of the previous year's level.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Budapest [HU1]
[HU]

Weather

Devastating frosts hit the north-eastern part of Hungary on May 1-2, 2007. Temperatures at dawn reached 5-7 C below freezing (23-20 F) in many places while daytime temperatures reached 25 C (77 F). Apple trees (and also plum, cherry and walnut) were in the middle of flowering or had just finished fruit setting which is the most sensitive period in the planting. The Association of Fruit and Vegetable Producers and the Ministry of Agriculture and Rural Development found more than 50 percent damage in the region.

The three counties most affected: Borsod-Abauj-Zemplen, Szabolcs-Szatmar-Bereg, and Hajdu-Bihar produce about 67 percent of the total apple crop of Hungary.

Production

The processing industry and the Government of Hungary (GOH) expect a 53% decline in the apple crop for 2007/2008, a drop from 537,000 MT in 2006 to 251,000 forecast for this season. The frost damage hit the traditional Jonathan, and the Idared varieties hard. Both are used primarily as raw material for processing. The share of graded table apples and modern varieties of the total harvest will be higher this year than in average seasons.

According to a recent agricultural census, the structure of Hungary's apple varieties is still dominated by traditional varieties as follows:

Jonathan types	55.0 %
Of which	
Jonathan	32.5 %
Idared	13.5 %
Delicious types	13.5 %
Of which	
Starking	6.8 %
Golden types	21.1 %
Other varieties	10.4 %
TOTAL	100.0 %

PS&D Fresh Apples

PSD Table

Country	Hungary						
	Apples, Fresh						
Commodity	(HA)(1000 TREES)(MT)						UOM
	2004	Revised	2005	Estimate	2006	Forecast	
Market Year Begin	USDA Official [t	Estimate[NA	Official [t	Estimate[NA	Official [t	Estimate[New]	MM/YYYY
	07/2005	07/2005	07/2006	07/2006	07/2007		
Area Planted	19700	19700	20300	20300	0	21400	(HA)
Area Harvested	19700	19700	19600	19600	0	11760*	(HA)
Bearing Trees	14000	14000	14100	14100	0	14300	(1000 TREES)
Non-Bearing Trees	2100	2100	2650	2650	0	2100	(1000 TREES)
Total Trees	16100	16100	16750	16750	0	16400	(1000 TREES)
Commercial Production	296000	319000	365000	359345	0	150000	(MT)
Non-Comm. Production	170000	191000	185000	178000	0	101700	(MT)
Production	466000	510000	550000	537345	0	251700	(MT)
Imports	9600	10400	6500	6500	0	17000	(MT)
Total Supply	475600	520400	556500	543845	0	268700	(MT)
Fresh Dom. Consumption	180100	180100	190000	193700	0	150000	(MT)
Exports, Fresh	30500	39900	35000	32000	0	28000	(MT)
For Processing	265000	300400	331500	318145	0	90700	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
Total Distribution	475600	520400	556500	543845	0	268700	(MT)

* Post estimate

Consumption (Apples)

Domestic consumption of fresh apples decreased from 25- 30 kg/year per capita in the early 1990s to about 14 kg in 2005. Reasons include the increased competition from tropical and off-season fruit, as well as weaknesses in the Hungarian domestic fresh apple supply. During recent years, domestic table apple consumption has increased slowly. However, imported off-season fruit is supplying part of this demand. In addition, inexpensive Polish apples may become competitive with domestic table apples given both countries' recent EU accessions.

In this season, the short apple supply both domestically and in all of Europe doubled the producer price for both table apples and apples of "industrial" quality. Fresh apple consumption this year will decrease and the low domestic supply may encounter reduced demand. Processors, who can source only 30 percent of their raw material from the domestic market, are in a difficult situation.

Prices

Forecasts indicate that producer prices will double this season, particularly for apples for processing, due to the low crop prospects in Europe. Early season (August-September) crushing (industrial) apple prices exceeded HUF 40-70/kg (USD 0.22-0.39/kg) and table apples HUF 120-130/kg (USD 0.67-0.73/kg).

According to the market price survey system of a Hungarian research institute (Research Institute for Agricultural Economics [AKII]) typical producer prices of 1st grade table apples at the Budapest Wholesale Produce Market were the following on the 42nd week of 2006 and 2007 .

Variety	Size millimeters	Price 2006		Price 2007		Index 2007/2006 HUF
		HUF/kilogram	US\$/kg	HUF/kilogram	US\$/kg	
Granny S.	65 +	110	0.52	200	1.14	181.8
Idared	65 +	80	0.38	178	1.02	221.9
Jonagold	65 +	90	0.43	190	1.09	211.1
Jonagored	65 +	90	0.43	188	1.07	208.3
Jonathan	65 +	73	0.35	170	0.97	234.5
Mutsu	65 +	100	0.47	0	0	0
Gala	55-65 +	85	0.4	180	1.03	211.8
Starking	65 +	110	0.52	205	1.17	186.4
Golden	65 +	95	0.45	190	1.09	200

Policy

General

Under the EU's Common Agricultural Policy (CAP), Hungarian apple producers get the "basic area payment" of the Single Area Payment Scheme (SAPS). This amount (per hectare) was 35% of the direct area payment of the EU15 countries' farms in 2006 and 40% in 2007. However, in the EU15 countries, area payment does not apply to orchards only to row crops and grasslands.

Hungary may use this payment under the SAPS until 2009, when the country may opt for the Single Farm Payment Scheme (already introduced in some EU-15 countries). The above basic area payment enjoyed by Hungarian orchard farmers was HUF 27,846/ha (USD 130.70/ha) in 2006 and would be HUF 36,826/ha (USD 206.88 /ha) in 2007.

Apple producers may apply for further infrastructure (irrigation, storage), marketing, and environmental support under different CAP programs via their sales organizations (cooperatives).

Disaster Payments

Frost damage hitting the main crop of the underdeveloped North-East Hungary region required GOH (EU) emergency support in several areas. Farms needed special assistance and credit (rescheduling) programs to maintain their orchards in good condition in a year without sales revenues. The Agricultural Damage Reduction Fund, a self-help fund that the GOH co-sponsors and has been approved by the EU started in early 2007. But only a small percent of farmers joined the project and farms are similarly passive in covering their risks by commercial crop insurance. Part-time apple picking is an important source of income in the economically depressed Szabocs-Szatmar-Bereg County. Municipalities launched "community work programs" with GOH support to provide compensation for earnings lost for the seasonal labor force. Commercial companies and cooperatives that pre-finance and organize apple production in the region may also apply for "de minimis" EU compensation and preferential and guaranteed credit to overcome the economic losses caused by the decimated apple crop.

Trade

After the top of fresh apple imports in 2005/2006, Hungarian purchases went back to a normal level (about 6,500 MT) marketing year. Main suppliers were Austria, Italy, Germany,

and the Netherlands. Slowly increasing off-season imports (from Chile, Argentina, and South Africa) are hard to track because they are small volume purchases from west European importer-distributors.

With regards to apples for processing, it will be rather difficult to locate available import sources in the neighboring countries (such as Romania, Serbia, Slovakia) at competitive prices this year.

Fresh apple exports decreased in 2006/2007 and a further decline is expected this year due to the frost and drought. Romania, a major buyer of Hungarian apples in previous years, may turn into serious supplier of both table and juice apples. Russia used to be a major destination for Hungarian table apples. An obstacle to Hungarian exports is that Russian buyers prefer Golden, Jonathan and Jonagold, rather than Idared. Idared is the leading variety of graded table apples in Hungary.

Apple Juice

Production

More than half of Hungary's commercial apple crop goes for further processing. The majority of it goes to juice production. Total juice production in 2006/2007 was about five percent above the 2005 year bottom. The current season will be very unusual. Apple crushing, 90,000 MT, may remain under one third of the previous year's level, and due to high apple and concentrate prices, trade may only partly offset Hungary's fruit juice imbalance.

PS&D Apple Juice

PSD Table

Country	Hungary						
	Commodity Apple Juice, Concentrated (MT)						
Commodity	2005		2006		2007 Forecast		UOM
	USDA Official [t]	Estimate[NA]	USDA Official [t]	Estimate[NA]	USDA Official [t]	Estimate[New]	
Market Year	Begin	07/2005	07/2006	07/2006	07/2007	07/2007	
Deliv. To Processors		265000	300400	331500	318145	0	90700 (MT)
Beginning Stocks	#REF!	0	0	0	0	0	(MT)
Production		34500	36190	42600	37880	0	11200 (MT)
Imports		8200	9400	6000	6000	0	10000 (MT)
Total Supply	#REF!	45590	48600	43880	43880	0	22200 (MT)
Exports		25100	32200	25000	29500	0	13200 (MT)
Domestic Consumption		17600	13390	23600	14380	0	9000 (MT)
Ending Stocks		0	0	0	0	0	0 (MT)
Total Distribution		42700	45590	48600	43880	0	22200 (MT)

Consumption (Juice)

Domestic fruit juice consumption in Hungary is slowly increasing. Per capita fruit juice consumption is about 8 liter/year. This compares to Austria at 30 liter/year and Germany at 38 liter/year.

The most popular kinds of fruit are oranges, peaches, and apples. However, mixes and fruit/vegetable mixes are on the rise. The competition between producers is highest among fruit juices and the fruit drinks segment. The Hungarian Food Codex sets three categories: fruit juice (made of 100% fruit, with no additives), nectar (high percentage of fruit [peach, pears 50%; black currant 25% etc.] additives may only be citric acid or lemon juice and/or sugar), and fruit drinks (low fruit content, additional additives [colorings etc.] permitted).

Hungarian consumers are not yet knowledgeable about the differences, and this is why the misuse of terms is frequent (particularly at restaurants/bars).

Production costs

EU membership brought lower prices and increased competition for Hungarian fruit juice producers. Competition from Greece and Italy has lowered prices for peach, pear, apricot, and grape concentrates. Production costs of juice makers increased by the growth of energy prices and the price of sugar. Increases in the environmental fee on (non-recycled) packaging materials and the strong national currency have also had a negative effect on the fruit juice sector.

Trade

The main markets for Hungary's apple juice concentrate (AJC) are Germany, Austria, and the Netherlands. Before EU membership, the United States imported USD 8-14 million worth of concentrate from Hungary annually. In the past few years, the majority of overseas AJC sales were made through west-European traders. The industry expects 50-60 percent less AJC exports in the coming season.

In normal years, Hungary imports apple juice concentrate mainly from Romania and smaller quantities from Germany, France, China, and Turkey, as well. Imports regularly are not more than 10-15 percent of exports.

The above production and trade figures are based on higher than 20 Brix AJC. Single strength apple juice (a minor item in Hungary's trade) is converted and considered in above calculations.

The trade of fresh apples and AJC from Hungary is mainly intra EU-27 trade. There is an export potential for Hungarian products in Russia, Bosnia-Herzegovina, and Ukraine. Due to product availability and financing problems, these traditional markets have remained unexploited.

Related report from Ag Office Budapest:

HU7006 Frost Damaged Hungarian Apple Orchards 5/4/2007